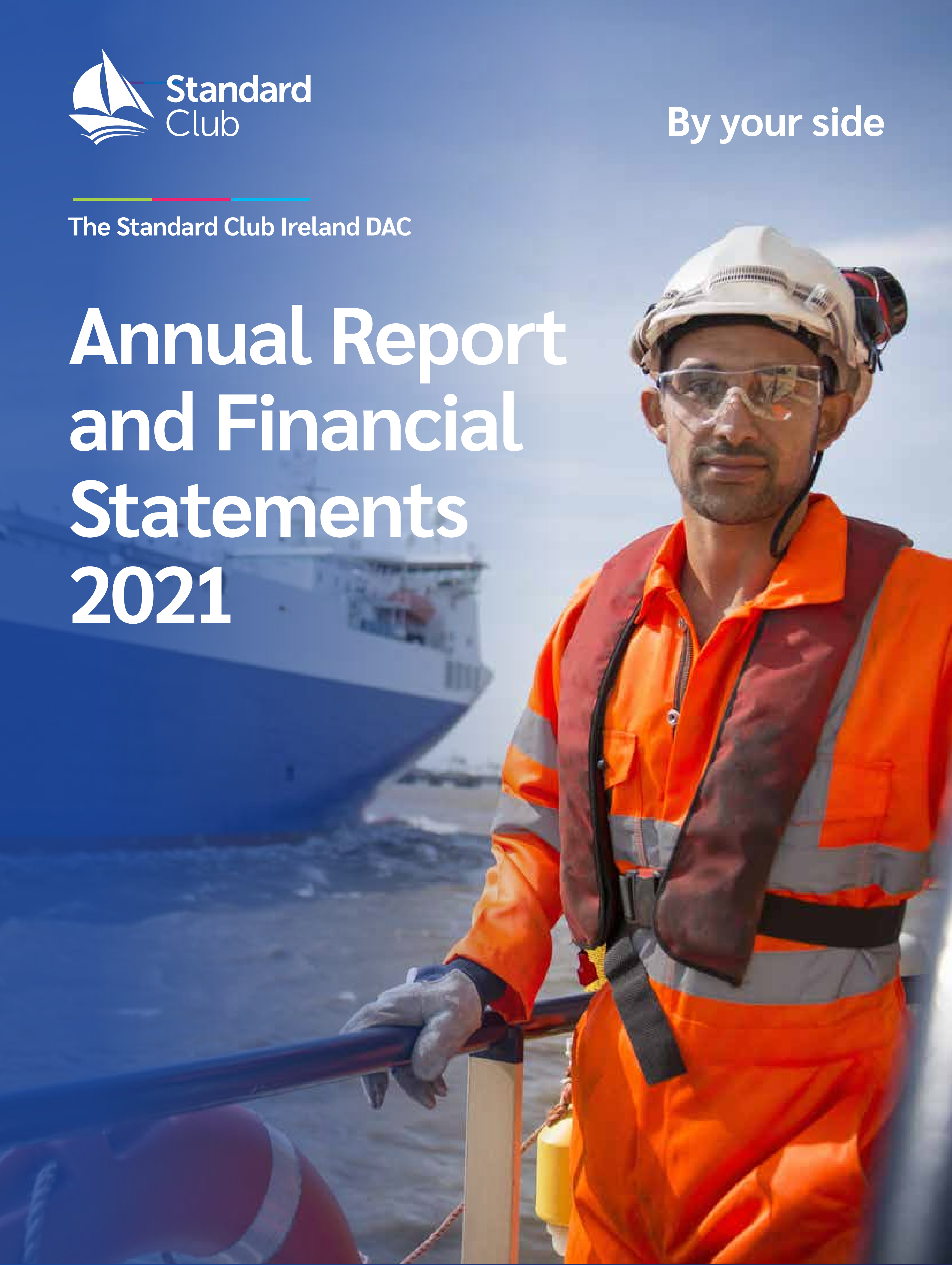
Standard Club

By your side

The Standard Club Ireland DAC

Annual Report and Financial Statements 2021



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DIRECTORS' REPORT

The directors have pleasure in presenting the audited financial statements of The Standard Club Ireland DAC ("the club") for the financial year 20 February 2021.

Principal activities

The club was incorporated in Ireland on 13 August 2018 as a single member designated activity company limited by shares. The club is wholly owned by The Standard Club Ltd ("Standard Club"), a Bermudian mutual insurance undertaking, which is the ultimate parent and ultimate controlling party in the group.

The club is regulated by the Central Bank of Ireland to write marine insurance business. The address of its registered office is Fitzwilliam Hall, Fitzwilliam Place, Dublin 2. The registered number is 631911.

The club was established in Ireland so that the Standard Club group could continue to offer its ship operating members the choice of an EU insurer. It started underwriting P&I, defence, war risks and related marine insurance covers, from midday on 20 February 2019, then began underwriting strike & delay from 20 February 2020.

Directors, secretary and their interests

The directors who held office during the financial period and up to the date of this report are set out below:

B Hurst-Bannister
Chairman
Non-executive director

M Brady
Independent non-executive director
Chairman of audit committee

C d'Amico
d'Amico Societa di Navigazione SpA
Non-executive director

R Drummond
Managing director

C McGettrick
Independent non-executive director
Chairman of risk committee

All the directors are members of the Audit Committee and the Risk Committee.

The directors and secretary who held office at 20 February 2021 had no interests greater than 1% in the shares of the club or of group companies (2020: no interest greater than 1%).

Managers

Charles Taylor & Co. (Ireland) Limited

Company secretary

Charles Taylor Administration Services Limited was company secretary until 21 May 2021 when Charles Taylor & Co. (Ireland) Limited was appointed as company secretary.

DIRECTORS' REPORT *continued*

Registered office of the club

Fitzwilliam Hall
Fitzwilliam Place
Dublin 2

Contact details:

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www.standard-club.com

www.charlestaylor.com

Business review

The club's gross premium written for the financial year was $148,214k (2020: $137,564k), with a net profit before tax of $4,843k (2020: $859k).

The club's net assets at 20 February 2021 were $35,665k (2020: $31,382k).

Key performance indicators

The board monitors the progress of the club by reference to various KPIs including the following:

	2021	2020
Premium $k	**148,214**	137,564
Free reserves $k[1]	**34,941**	30,658
Claims cover[2]	**3.81**	5.06
Combined ratio %[3]	**99%**	108%
Tonnage mgt	**67**	71

1. Free reserves comprise contributed capital and contingency reserve.
2. The ratio of net assets (excluding net outstanding claims) to net outstanding claims.
3. The ratio of total expenditure to total income, as set out in the technical account of the Statement of Comprehensive Income. A ratio below 100% indicates an underwriting surplus.

Dividends

The directors do not propose any dividends for the financial year (2020: $nil).

Outlook

The club's financial position means that it is well positioned to continue to offer a full range of P&I, defence, war risks, strike & delay and related marine insurance covers to its members, albeit that it continues to face challenging underwriting conditions.

DIRECTORS' REPORT *continued*

The directors have been monitoring the development of the impacts of COVID-19, both directly on the club's business and indirectly through government policy and advice. The premium and net claims impacts have been protected by the club's reinsurance contracts, including the quota share with Standard Reinsurance (Bermuda) Limited ("Standard Re"), so the main impact has been on the club's investment portfolio. The club's investment portfolio at 20 February 2021 consisted of government issued debt whose market value has increased enduring the year as interest rates have fallen.

Standard Club group continues to carry out detailed risk assessments which continue to anticipate modest changes to group premium and net claims as a result of COVID-19. The biggest risk is to the group investment portfolio, but this is defensively positioned at 30 April 2021 with only some 21% in equities, so the market value fall since the year end has been modest.

From an operational perspective, the club's managers, Charles Taylor & Co. (Ireland) Limited ("the managers"), have invested significantly to support the resilience of the workforce, ensuring they can all work remotely and are able to be flexible about how, when and where they work. Since the outbreak of COVID-19, the club's managers have activated full business continuity contingency plans and shown the club can continue to operate in the event of a serious prolonged incident, such as the present pandemic. COVID-19 is considered in further detail in Note 23.

Strategy and business plan

The club was established in Ireland so that the Standard Club group could continue to offer its ship operating members the choice of an EU insurer. The club writes insurance of marine protection and indemnity (P&I), defence, war risks, strike & delay and related marine insurance risks on behalf of its members and has branches in Greece and the UK. The club benefits from an arm's length quota share agreement with its S&P 'A' rated fellow subsidiary, Standard Re.

The board wants the club to seek growth in its core business areas, as well as examine opportunities to extend the range of products offered, provided this does not undermine the club's solid financial attributes and any development is consistent with the club's existing emphasis on the quality of its members' operations and with the high standard of service provided to them.

Operating model

The day-to-day management of the club is currently outsourced to Charles Taylor. On 29 May 2020, Charles Taylor and the Standard Club announced their decision to work together to create a new operating model for the club whereby core management operations would be performed by an 'in house' manager owned by the Standard Club. Under the new model, the same management team will remain in place, with the same individuals and teams continuing to service members' and brokers' needs and carrying out core management, underwriting, claims handling, loss prevention, finance, reserving and control activities, as part of the club's own organisation. New contractual agreements will be in place from August 2021 with Charles Taylor for the provision of support services including Standard Club's technology and services, investment management, internal audit and other support services. This change will enable the Standard Club to insource and manage its day-to-day operations, while retaining the entrepreneurial and member-centric culture that has led to its success over many decades. The outsourcing framework under which the new operating model will be governed are currently being reviewed as part of the transition phase to the new operating model

DIRECTORS' REPORT *continued*

Environmental, social and governance

Environmental, social and governance related challenges are having a growing impact on most aspects of human life and the physical world and there is growing pressure on governments and industries worldwide to respond. The maritime industry, which includes the P&I clubs, is no exception. Referred to collectively as sustainability issues, they pose a wide range of complex inter-connected risks which, if not managed appropriately, could have an impact on the club's long-term viability and its stated goal of providing "a range of P&I insurance and related covers that represent excellent and sustainable value".

Whilst on behalf of its members the club is already helping to underpin economic development and address sustainability issues by, for example, actively preventing and managing the consequences of maritime losses, the club's approach to sustainability is starting to become a focus for its stakeholders. In this respect, to support the long-term viability of the club and satisfy its stakeholders, the club is adopting a coordinated and strategic approach to managing sustainability issues. The first part of this process starts in 2021 with a materiality assessment which will enable the club's board and managers to:

- better understand the impacts sustainability issues could have on the club and focus on those areas where it can bring about meaningful change;
- recognise and realise the opportunities that exist through planning for and responding to sustainability issues; and
- proactively meet the expectations of stakeholders and society generally.

The findings from the materiality assessment will be used to prepare a sustainability report which will be published on the club's website in due course.

In terms of the club's day-to-day operations, the managers have taken steps to reduce their carbon footprint and strive to minimise their energy consumption through their energy management policy and by promoting and building awareness of environmental responsibility amongst their employees. They communicate and engage with staff at all levels to identify, assess and reduce operational impact on the environment. The shift to working from home has had a notable impact on employee commuting emissions and business travel emissions giving rise to a significant reduction on last year. The global restrictions in air travel also created a significant decrease in emissions from international flights. As the restrictions around travel are eased, the managers will be looking at ways to preserve these carbon savings through the continued use of conferencing technologies. Furthermore, we will be actively encouraging staff to consider the environmental impacts of travel when determining whether a business trip is necessary. The managers occupy paperless offices which incorporate design and other initiatives, including electronic document management systems, to reduce environmental impact and carbon footprint. Suppliers are required, as far as reasonable, to have an appropriate environmental policy.

Accounting records

The directors believe they have complied with the requirements of sections 281 to 285 of the Companies Act 2014 with regard to books of account by employing managers with appropriate expertise and by providing adequate resources to the managers' financial function. The books of account of the club are maintained at Fitzwilliam Hall, Fitzwilliam Place, Dublin 2.

Political donations

The club made no political donations and incurred no political expenditure during the financial year.

DIRECTORS' REPORT *continued*

COVID-19 and events after the reporting date

As disclosed in further detail in Note 23, the club continues to monitor and respond to the global COVID-19 pandemic.

Statutory auditors

The auditors, BDO have indicated their willingness to continue in office, in accordance with Section 383 (2) of the Companies Act 2014.

Principal risks and uncertainties

The board is responsible for identifying and managing the club's risk. The board's risk management responsibilities are led by the Risk Committee, which reviews at each of its meetings the risks facing the club, their potential impact, and the management and mitigation of those risks. The board sets the club's risk appetite in relation to all key aspects of the club's operations, and the club's strategy reflects that appetite.

Risks are evaluated to assess their probability and their potential impact. The club's management sets controls which are designed to ensure tolerances contained in the board's risk appetite are not exceeded and, where possible, puts in place arrangements to mitigate the club's risks. It also monitors emerging risks. A risk register is maintained to record the risks with their value, impact, mitigation and controls. The club's internal model reflects the risks identified and is used to assess the potential impact and the capital required to cover them.

The compliance and internal audit functions play an important role in ensuring the club's risk management systems are functioning correctly.

Detailed risk disclosures are set out in detail in note 3 to the financial statements, starting on page 23.

Corporate governance

The club comprises members from the international shipping community, mostly based in EU countries. The club seeks to follow generally recognised good governance principles.

The club is subject to the Corporate Governance Requirements for Insurance Undertakings 2015 and has complied with all of its requirements during the financial year. The club is not required to comply with the additional requirements for major institutions.

Statement of disclosure of information to auditors

In accordance with Section 332 of the Companies Act 2014, in the case of each director in office at the date the Directors' Report is approved:

- so far as the director is aware, there is no relevant audit information of which the club's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the club's auditors are aware of that information.

Statement of directors' responsibilities

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with Irish law and regulation.

Irish company law requires the directors to prepare financial statements for each financial year. Under that law, the directors have elected to prepare the financial statements in accordance with Companies Act 2014,

DIRECTORS' REPORT *continued*

FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and FRS 103 "Insurance contracts" issued by the Financial Reporting Council ("relevant financial reporting framework"). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the assets, liabilities and financial position of the club as at the financial year end date and of the profit or loss of the club for the financial year and otherwise comply with the Companies Act 2014, including the European Union (Insurance Undertakings: Financial Statements) Regulations, 2015. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether the financial statements have been prepared in accordance with applicable accounting standards, identify those standards, and note the effect and the reasons for any material departure from those standards;
- notify the club's shareholders in writing about the use of disclosure exemptions, if any, of FRS102; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the club will continue in business.

The directors are responsible for ensuring that the club keeps or causes to be kept adequate accounting records which correctly explain and record the transactions of the club, enable at any time the assets, liabilities, financial position and profit or loss of the club to be determined with reasonable accuracy, enable them to ensure that the financial statements and Directors' Report comply with the Companies Act 2014 and enable the financial statements to be audited. They are also responsible for safeguarding the assets of the club and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are also responsible for the maintenance and integrity of the corporate and financial information included on the club's website. Legislation in Ireland governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Statement of directors' compliance

The directors of the club acknowledge that they are responsible for securing the club's compliance with its relevant obligations as required by Section 225 of the Companies Act 2014.

The directors confirm that:

- a compliance policy statement setting out the club's policies with regard to complying with the relevant obligations has been prepared;
- arrangements and structures have been put in place that they consider sufficient to secure material compliance with the club's relevant obligations; and
- a review of the arrangements and structures has been conducted during the financial period to which this Directors' Report relates.

On behalf of the board,

B Hurst-Bannister	**R Drummond**	28 May 2021
Director	Director	

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF THE STANDARD CLUB IRELAND DESIGNATED ACTIVITY COMPANY

Report on the audit of the financial statements

Opinion

We have audited the financial statements of The Standard Club Ireland Designated Activity Company ('the Company') for the financial year ended 20 February 2021, which comprises of the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity and notes to the financial statements, including the summary of significant accounting policies set out in note 2. The financial reporting framework that has been applied in their preparation is Irish Law and Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and Financial Reporting Standard 103 'Insurance Contracts'.

In our opinion the financial statements:

- give a true and fair view of the assets, liabilities and financial position of the Company as at 20 February 2021 and of its profit for the financial year then ended;
- have been properly prepared in accordance with Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and Financial Reporting Standard 103 'Insurance Contracts'; and
- have been properly prepared in accordance with the requirements of the Companies Act, 2014, and the European Union (Insurance Undertakings: Financial Statements) Regulations 2015.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (Ireland) ('ISAs (Ireland)') and applicable law. Our responsibilities under those standards are described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with ethical requirements that are relevant to our audit of financial statements in Ireland, including the Ethical Standard issued by the Irish Auditing and Accounting Supervisory Authority ('IAASA'), and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter	Conclusion of findings
Valuation and cut off of technical provisions and reinsurer's share of technical provisions (Note 13) The valuation of technical provisions is a key area of estimation within the financial statements. There is a risk that inappropriate assumptions and judgement are made when determining the valuation of technical provisions. There is a further risk that significant claims estimate revisions and payments around year end may not be captured in the correct period. Gross Technical Provisions at 20 February 2021 $142.2m (2020: $80.7m). Net Technical provisions were $12.7m (2020: $7.7m). Case reserves are inherently uncertain rely on: • The expertise of the claims handlers and their experience of assessing claims in different jurisdictions and of different types; and • The correct and timely entry of claims information onto the claims system before the year end. Modelling of the provision for claims incurred but not reported ('IBNR') is reliant on: • Up to date, relevant, claims data being correctly entered into actuarial model; • Selection of appropriate actuarial methodologies; and	We have performed the following: **Valuation of Case Estimates:** • Agreed all case estimates above our performance materiality level to supporting documentation, such as legal correspondence, to assess whether case estimates are valued appropriately; and • Carried out testing on the operating effectiveness of the controls over claim estimates, ensuring that estimates are reviewed every six months and have been appropriately revised on review, where applicable. **Cut-off of Case Reserves:** • Agreed claim adjustments above performance materiality and payments around the year end to supporting documentation and bank statements, to assess whether these adjustments and payments were accounted for in the correct period. **Valuation of IBNR**: • Reconciled the key actuarial inputs used in actuarial models to audited accounting records; • Engaged our internal actuarial experts to perform a review of the appropriateness of the methodologies employed by the Club when setting technical provisions; • BDO actuarial experts performed their own projections of the claims liabilities to assess whether management's projections were within a suitable range of best estimates; • BDO's internal actuarial experts reviewed the methodology applied in the identification and calculation of case redundancies and ensured this was in line with industry practice; and • BDO's actuarial experts obtained, reviewed and challenged the	Based on our audit procedures we gained assurance that technical provisions and reinsurance share of technical provisions are fairly stated.

Key audit matter	How our audit addressed the key audit matter	Conclusion of findings
• The application of appropriate actuarial techniques, judgement and assumptions. The club has a range of reinsurance placements, incorporating group quota share, Pool excess of loss, non-pool cover and facultative covers. Reinsurers share of Technical Provisions is dependent on the correct valuation of gross reserves and the appropriate application of the portfolio of reinsurance agreements in place.	report by the club's actuary. BDO's actuarial experts held meetings with the club's actuaries to discuss process, assumptions and findings from their review. **Valuation of Reinsurers' Share of Technical Provisions:** • Performed a recalculation of recoveries due on claims estimates above performance materiality during our case estimate testing and ensured these were accurately presented; • Reviewed all claims above the pool recovery threshold to confirm whether appropriate recoveries had been recorded; and • Performed a recalculation of quota share recoveries due to the club from Standard Reinsurance (Bermuda) Limited.	

Our application of materiality

We define materiality as the magnitude of misstatement, including omissions, in the financial statements that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of a reasonably knowledgeable person taken on the basis of the financial statements. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

- For the purpose of our audit we used overall materiality of $3.7m, which represents approximately 1.6% of the Company's Total assets in the year.
- We applied this threshold, together with qualitative considerations, to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the Financial Statements as a whole.
- We chose total assets as the benchmark because, in our view, we consider Total Assets to be the principal determinant of the Club's ability to satisfy the interests of its Members on a gross basis. We selected 1.6% based on our professional judgment, noting that it is also within the range of commonly accepted asset-related benchmarks.
- As set out in the accounting policies (Note 2), the Company has in place a significant amount of quota share reinsurance. This arrangement has the effect of transferring insurance premium and claims technical provisions to reinsurers. Due to the extent of these arrangements it was felt

appropriate to apply a specific testing threshold to financial statement areas net of reinsurance or unaffected by quota share reinsurance. This lower testing threshold has been applied to all financial statement areas with the exception of premiums (gross and outward reinsurance), claims paid (gross and reinsurers share), and claims outstanding (gross and reinsurers share). This enables us to differentiate misstatements according to the impact they have on the Company's net result. This testing threshold has been based upon 3.5% of net assets of the company ($1.2m), as we consider the ability of the entity to meet its insurance obligations and avoid the need for additional calls to be the primary focus for its members.

- We have reported unadjusted errors noted as part of our audit process above a clearly trivial level of 5% of materiality ($185k) to Those Charged with Governance.

An overview of the scope of our audit

A description of the scope of an audit of financial statements is provided on the IAASA website at https://www.iaasa.ie/getmedia/b2389013-1cf6-458b-9b8f-a98202dc9c3a/Description_of_auditors_responsiblities_for_audit.pdf.

Our audit approach was developed by obtaining an understanding of the Company's activities, the key functions undertaken on behalf of the Board and the overall control environment. Based on this understanding we assessed those aspects of the Company's financial statements which were most likely to give rise to a material misstatement. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our evaluation of the Directors assessment of the Company's ability to continue to adopt the going concern basis included the below:

- Review and challenge of the Club's current plans and budgets, challenging growth assertions and ensuring that movements were in line with justifiable assumptions and movements;
- Reviewing the basis of solvency projections for the next 12 months and ensuring that an appropriate mechanism for calculating solvency had been applied; and
- Challenge and discussion around the latest Own risk and Solvency Assessment provided by the Standard Group. In addition we have reviewed the solvency projections, reconciling current positions to the financial statements and challenged management as to the future assumptions embedded within the model. We have also ensured that the modelling used for solvency is in line with industry standards.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Clubs ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2014

Based solely on the work undertaken in the course of the audit, we report that:

- in our opinion, the information given in the directors' report is consistent with the financial statements; and
- in our opinion, the directors' report has been prepared in accordance with the Companies Act 2014.

We have obtained all the information and explanations which we consider necessary for the purposes of our audit.

In our opinion, the accounting records of the Company were sufficient to permit the financial statements to be readily and properly audited and the financial statements are in agreement with the accounting records.

Matters on which we are required to report by exception

Based on the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the directors' report.

The Companies Act 2014 requires us to report to you if, in our opinion, the disclosures of directors' remuneration and transactions required by sections 305 to 312 of the Act are not made. We have nothing to report in this regard.

Respective responsibilities

Responsibilities of directors for the financial statements

As explained more fully in the directors' responsibilities statement set out on page 7, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (Ireland) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the IAASA's website at: https://www.iaasa.ie/getmedia/b2389013-1cf6-458b-9b8f-a98202dc9c3a/Description_of_ auditors_responsiblities_for_audit.pdf.
This description forms part of our auditor's report.

The purpose of our audit work and to whom we owe our responsibilities

Our report is made solely to the Company's members, as a body, in accordance with section 391 of the Companies Act 2014. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Other matters which we are required to address

We were appointed by the Board of Directors on 5 February 2020 to audit the financial statements for the financial year ended 20 February 2020 and subsequent financial periods. The period of total uninterrupted engagement is therefore two years, covering the financial years ended 20 February 2020 to 20 February 2021.

No non-audit services prohibited by IAASA's Ethical Standard were provided to the Company. We have reported to Central Bank of Ireland pursuant to Regulation 37 of European Union (Insurance and Reinsurance) Regulations 2015 on the relevant elements of the Solvency and Financial Condition report of The Standard Club Ireland Designated Activity Company. We remained independent of the Company in conducting the audit.

Our audit opinion is consistent with the additional report to the Board of Directors we are required to provide in accordance with ISA (Ireland) 260.

Stephen McCallion

28 May 2021

Stephen McCallion
for and on behalf of
BDO
Statutory Audit Firm

Date

Dublin
AI22387

STATEMENT OF COMPREHENSIVE INCOME

for the financial year 20 February 2021

	Note	**20/02/2021 US$000**	20/02/2020 US$000
Technical account for non-life insurance business			
Gross premiums earned, including calls	5	**148,214**	137,564
Outward reinsurance premiums	6	**(135,769)**	(126,734)
Earned premiums, net of reinsurance		**12,445**	10,830
Expenditure			
Gross claims paid	7	**51,714**	31,522
Reinsurers' share	8	**(46,543)**	(28,371)
Net claims paid		**5,171**	3,151
Change in provision for gross claims		**62,380**	80,881
Reinsurers' share		**(57,541)**	(73,135)
Change in net provision for claims		**4,839**	7,746
Claims incurred, net of reinsurance		**10,010**	10,897
Net operating expenses	9	**1,129**	801
Total expenditure		**11,139**	11,698
Balance on the technical account for non-life insurance business		**1,306**	(868)
Non-technical account			
Balance on the technical account for non-life insurance business		**1,306**	(868)
Investment return net of expenses and charges	10	**3,156**	1,716
Profit on foreign exchange		**381**	11
Profit on ordinary activities before taxation		**4,843**	859
Tax on ordinary activities	11	**(560)**	(176)
Profit for the financial year		**4,283**	683

The income, expenditure and results for the period are wholly derived from continuing activities.

The notes on pages 19 to 37 are an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION

as at 20 February 2021

	Note	**2021 US$000**	2020 US$000
ASSETS			
Investments			
Other financial investments	12	**37,628**	34,312
Reinsurers' share of technical provisions			
Claims outstanding	13	**129,481**	72,964
Debtors			
Debtors arising out of direct insurance operations	14	**34,605**	29,241
Amounts owed by group undertakings		**17,295**	9,375
Other debtors		**725**	758
		52,625	39,374
Other assets			
Cash at bank and in hand		**3,215**	3,921
Prepayments and accrued income		**4,415**	3,088
Total assets		**227,364**	153,659
EQUITY			
Capital and reserves			
Called up share capital presented as equity	17	**724**	724
Contributed capital		**30,000**	30,000
Contingency reserve		**4,941**	658
Shareholders' funds attributable to equity interests		**35,665**	31,382
LIABILITIES			
Technical provisions			
Gross claims outstanding	13	**142,169**	80,691
Creditors			
Creditors arising out of direct insurance operations	15	**8,349**	4,972
Amounts owed to group undertakings		**38,418**	34,570
Other creditors including taxation and social security		**1,277**	965
		48,044	40,507
Accruals and deferred income		**1,486**	1,079
Total equity and liabilities		**227,364**	153,659

The notes on pages 19 to 37 are an integral part of these financial statements.

The financial statements were approved by the board of directors and signed on its behalf by:

Barnabas J. Hurst-Bannister

B Hurst-Bannister
Director

R Drummond
Director

28 May 2021

STATEMENT OF CHANGES IN EQUITY

for the financial year ended 20 February 2021

	Note	Called up share capital presented as equity US$000	Contributed capital US$000	Contingency reserve US$000	Shareholders' funds attributable to equity interests US$000
Balance as at 20 February 2019		724	20,000	(25)	20,699
Capital contributions received during the period		-	10,000	-	10,000
Excess of income over expenditure for the period		-	-	683	683
Balance as at 20 February 2020		724	30,000	658	31,382
Balance as at 20 February 2020		**724**	**30,000**	**658**	**31,382**
Excess of income over expenditure for the period		**-**		**4,283**	**4,283**
Balance as at 20 February 2021		**724**	**30,000**	**4,941**	**35,665**

The notes on pages 19 to 37 are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. Constitution

The Standard Club Ireland DAC ("the club") is a marine mutual insurer incorporated in Ireland in 2018 as a single member designated activity company limited by shares. The club is regulated by the Central Bank of Ireland to write marine insurance business which it started underwriting in February 2019. The principal place of business and address of its registered office is Fitzwilliam Hall, Fitzwilliam Place, Dublin 2. The registered number is 631911.

2. Accounting policies

(a) Basis of preparation

These financial statements were prepared in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the Republic of Ireland ("FRS 102"), and Financial Reporting Standard 103 Insurance Contracts ("FRS 103"). The club is also subject to the requirements of the Companies Act 2014 and the European Union (Insurance Undertakings: Financial Statements) Regulations, 2015.

The financial statements are prepared under the historical cost convention, as modified for the revaluation of investment properties and financial assets and liabilities (including derivative instruments) at fair value through income or expenditure.

The contingency reserve represents the free reserves of the club and is established in accordance with Rule 20.6 of the club's rules.

The financial statements are prepared on a going concern basis. The directors consider it appropriate to adopt the going concern basis of accounting in the preparation of these financial statements and are not aware of any material uncertainties to the club's ability to continue to do so for at least 12 months from the date of these financial statements. Standard Club has carried out a detailed risk assessment which confirms that COVID-19 does not threaten going concern. COVID-19 is considered in further detail in Note 23.

(b) Judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the statement of financial position date and the amounts reported for revenues and expenses during the period. However, the nature of estimation means that actual outcomes could differ from those estimates. The following are the club's key sources of estimation uncertainty:

- Insurance contract technical provisions

For insurance contracts, estimates have to be made both for the expected ultimate cost of claims reported at the reporting date and for the expected ultimate cost of claims incurred but not yet reported ("IBNR") at the reporting date. It can take a significant period of time before the ultimate claims cost can be established with certainty and for some type of policies, IBNR claims form the majority of the liability in the Statement of Financial Position. At the end of the reporting period, and as presented in Note 13, the technical provisions for claims amounted to \$142.2m (2020: \$80.7m) gross of reinsurance recoveries.

The ultimate cost of outstanding claims is estimated by using a range of standard actuarial claims projection techniques, such as the Chain Ladder and the Bornhuetter-Ferguson methods.

The main assumption underlying these techniques is that past claims development experience can be used to project future claims development and hence ultimate claims costs. The provision for claims outstanding is assessed on an individual case basis and is based on the estimated ultimate cost of all claims notified but not settled by the statement of financial position date, together with the provision for related claims handling costs. The provision also includes the estimated cost of IBNR claims at the statement of financial position date based on statistical methods.

These methods generally involve projecting from past experience the development of claims over time to form a view of the likely ultimate claims to be experienced for more recent underwriting, having regard to variations in the business accepted and the underlying terms and conditions. Experience elsewhere in Standard Club has demonstrated that for the most recent years, where a high degree of volatility arises from projections, estimates may be based in part on actuarial techniques involving assessments of underwriting conditions. This latter methodology is particularly relevant to Standard Ireland due to its recent inception. The amount of salvage and subrogation recoveries is separately identified and, where material, reported as an asset.

Similar judgements, estimates and assumptions are employed in the assessment of adequacy of provisions for unearned premium. Judgement is also required in determining whether the pattern of insurance services provided under a contract requires amortisation of unearned premium on a basis other than time apportionment.

– Estimates of future premiums

For certain insurance contracts, premium is initially recognised based on estimates of ultimate premiums. These estimates are judgemental and could result in misstatements of revenue recorded in the financial statements.

The main assumption underlying these estimates is that past premium development can be used to project future premium development.

(c) Exemptions for qualifying entities under FRS 102

The club has taken advantage of the following exemptions:

- the requirement to prepare a cash flow statement on the grounds that its parent undertaking, The Standard Club Ltd, includes the club in published consolidated financial statements (FRS 102.1.12(b)). These can be obtained from its website at: https://www.standard-club.com/knowledge-news/
- disclosing transactions or balances with entities which form part of the group (FRS 102.33.1A).

(d) Annual basis of accounting

The transfer to or from the contingency reserve is determined using an annual basis of accounting.

For the purpose of reporting to mutual members, all transactions are allocated to individual policy years. The result of a policy year is determined and reported when it is closed after three years of development in accordance with Rule 21 of the club's rules, which requires policy years to be held open for three years. The club's rules are available from the club's website at:
https://www.standard-club.com/media/3392974/35882_sc_pi_rules_final.pdf

At the end of each financial year, any anticipated surplus or deficit arising on open years is transferred to or from the contingency reserve.

(e) Calls and premiums

Calls and premiums are credited to the Statement of Comprehensive Income as and when charged to members and are net of any return of premium made in the year. Contributions for financial periods after the statement of financial position date are treated as prepaid and are not included in the Statement of Comprehensive Income.

(f) Claims incurred

Claims incurred comprise all claims paid, advances made on account of claims and related expenses paid in the year, and changes in provisions for outstanding claims, including provisions for claims incurred but not reported and related expenses.

(g) Reinsurance recoveries

The liabilities of the club are reinsured above certain levels with similar associations under the International Group's Pooling Agreement and with market underwriters. The figures in the Statement of Comprehensive Income relate to recoveries on claims incurred during the year.

Outstanding claims in the Statement of Financial Position are shown gross and the reinsurance recoveries are shown as an asset.

(h) Claims provisions and related reinsurance recoveries

The estimated cost of claims includes expenses to be incurred in settling claims and a deduction for the expected value of salvage and other recoveries. The estimation of claims incurred but not reported (IBNR) is generally subject to a greater degree of uncertainty than the estimation of the cost of settling claims already notified to the club. The club takes all reasonable steps to ensure that it has appropriate information regarding its claims exposure. However, given the uncertainty in establishing claims provisions, it is likely that the final outcome will prove to be different from the original liability established. An allowance for future claims handling costs is included in the provision.

Claims estimates for the club are derived from a combination of loss ratio-based estimates and a variety of other estimation techniques. These are generally based upon statistical analyses of historical experience, which assume that the development pattern of the current claims will be consistent with past experience. However, allowance is made for changes or uncertainties that may create distortions in the underlying statistics or that may cause the cost of unsettled claims to increase or reduce when compared with the cost of previously settled claims, including:

- changes in club processes that might accelerate or slow down the development and/or recording of paid or incurred claims compared with the statistics from previous financial periods;
- changes in the legal environment;
- the effects of inflation;
- changes in the mix of business;
- the impact of large losses; and
- movements in industry benchmarks.

The variety of estimation techniques assists in giving greater understanding of the trends inherent in the data being projected and in setting the range of possible outcomes. The most appropriate estimation technique is selected, taking into account the characteristics of the business class and the extent of the development of each policy year.

Large claims impacting each relevant business class are generally assessed separately, being measured and/or projected on a case-by-case basis in order to allow for the possible distortive effect of the development and incidence of these large claims.

Pollution claims and claims for occupational diseases can have a very long delay between the occurrence and notification. In estimating the cost of these claims, the club considers the type of risks written historically by Standard Club group that may give rise to exposure to these liabilities, notifications received from policyholders, the nature and extent of the cover provided, the current legal environment, changes in the effectiveness of clean-up techniques and industry benchmarks of the typical cost of such claims.

Claims reserves are estimated on an undiscounted basis apart from occupational disease claims. Due to the very long delay between the inception date of the policy and the final settlement of a claim which has arisen due an occupational disease, such occupational disease claims provisions and IBNR thereon are discounted to take account of the expected investment income receivable between the statement of financial position date and settlement on the assets held to cover these provisions.

Provisions are calculated gross of any reinsurance recoveries. A separate estimate is made of the amounts that will be recoverable from reinsurers based upon the gross provisions and having due regard to collectability.

Reinsurance recoveries in respect of estimated claims incurred but not reported are assumed to be consistent with the historical pattern of such recoveries, and are adjusted to reflect changes in the nature and extent of the club's reinsurance programme over time.

An assessment is also made of the recoverability of reinsurance with regard to market data on the financial strength of each of the reinsurance companies.

(i) Reinsurance premiums

Reinsurance premiums, less returns, are debited to the Statement of Comprehensive Income in the financial year as and when charged to the club, together with a provision for any future costs of existing reinsurance policies.

(j) Investment return

Investment return comprises all investment income, realised investment gains and losses, and movements in unrealised gains and losses, net of investment expenses, charges and interest. Dividends are recorded on the date on which the shares are quoted ex-dividend and include the imputed tax credits. Interest and expenses are accounted for on an accruals basis. Realised gains and losses on investments carried at market value are calculated as the difference between net sales proceeds and purchase price. Movements in unrealised gains and losses on investments represent the difference between the valuation at the statement of financial position date and their purchase price or, if they have been previously valued, their valuation at the last statement of financial position date, together with the reversal of unrealised gains and losses recognised in earlier financial periods in respect of investment disposals in the current financial period. The investment return is reported in the non-technical account.

(k) Financial instruments

The club has chosen to apply the recognition and measurement provisions of IAS 39 (as adopted for use in the EU) and the disclosure requirements of FRS 102 in respect of financial instruments.

- Financial assets at fair value through income

The club classifies its investments as financial assets at fair value through income. As a result, gains and losses are taken to the Statement of Comprehensive Income, which reflects the management of the portfolio on a fair value basis. Fair values of investments traded in active markets are measured at bid price. Where there is no active market, fair value is measured by reference to other factors.

- Derivative financial investments

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. The club does not engage in hedge accounting and changes in the fair value of all derivative investments are recognised immediately in the Statement of Comprehensive Income.

- Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable settlement values. Amounts due from members and reinsurers are included in this category and are measured at cost less any provision for impairment in value.

(l) Foreign currencies

The club's financial statements are presented in US dollars which is the club's functional currency.

Monetary assets and liabilities in foreign currencies are translated at the US dollar rate of exchange at the statement of financial position date with the resulting difference treated as an exchange gain or loss within the non-technical account.

Revenue transactions in foreign currencies are translated into US dollars at the rate applicable for the week in which the transaction takes place. Exchange differences are reported in the non-technical account.

Foreign currency contracts may be entered into in order to hedge the currency exposure of the investment portfolio. The contracts are for the forward sale of currencies, which are matched by holdings of those currencies. Open contracts are revalued at year-end rates of exchange and the potential profit or loss included in the non-technical account.

(m) General administration expenses

General administration expenses, including managers' remuneration, are included on an accruals basis.

(n) Taxation

Taxation provided is that which became chargeable during the year.

Provision is made for deferred tax liabilities, using the liability method, on all material timing differences, including revaluation gains and losses on investments recognised in the Statement of Comprehensive Income.

Deferred tax is calculated at the rates at which it is expected that the tax will arise. Deferred tax is recognised in the Statement of Comprehensive Income for the financial period, except to the extent that it is attributable to a gain or loss that is recognised directly in the contingency reserve. Deferred tax balances are not discounted.

Deferred tax assets are recognised to the extent that they are regarded as recoverable. Assets are regarded as recoverable when it is more likely than not that there will be suitable net taxable income from which the future reversal of the underlying timing differences can be deducted.

3. Management of insurance and financial risk

The club is exposed to a range of insurance and financial risks through its operations as a protection and indemnity insurer.

This section summarises these risks and the way the club manages those risks (in addition to the risk management policies set out in the report of the directors).

This year Standard Club has carried out a detailed risk assessment to consider the impacts of COVID-19, as explained in Note 23.

3.1 Insurance risk

The risk under any one insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the very nature of an insurance contract, this risk is random and therefore unpredictable. This risk can be divided into premium risk (the risk that premiums charged will not be sufficient to meet all associated claims and expenses) and reserve risk (the risk that claims reserves will be inadequate to cover either known losses, and/or unknown or undeveloped losses, such as occupational diseases. These risks are managed as follows:

Premium risk

Premium risk is managed by clear underwriting controls including risk assessment tools, pricing models and clear authority levels. This risk is monitored for undue concentrations of risk and consistency with the club's risk appetite as set by the board. The risk management process is aided by a dedicated loss prevention function, aimed at ensuring that the club underwrites only those ship owners who operate to an acceptable standard.

Premium risk is mitigated through the acquisition of appropriate reinsurance programmes, including the International Group pooling and reinsurance programme, and also the club's own non-Pool, retention and stop-loss reinsurances. Reinsurance strategy is set by the board in line with the board's risk appetite and is designed to mitigate the insurance risk through programmes tailored to the club's exposures.

Reserve risk

Reserve risk is managed by the prompt reserving of potential losses, regular review of individual estimates and overall reserve adequacy, as well as regular, systematic claims audits and the monitoring of consistency of estimating approaches, and the modelling of technical provisions by the club's actuarial function.

	Increase		Decrease	
	2021	2020	**2021**	2020
Impact on profit - gross of reinsurance	**US$000**	US$000	**US$000**	US$000
Increase/decrease in loss ratio by 5 percentage points	**(7,411)**	(6,878)	**7,411**	6,878
10% increase/decrease in claims handling expenses	**(276)**	(216)	**276**	216
10% increase/decrease in number of IBNR claims	**(2,450)**	(2,744)	**2,450**	2,744
Impact on profit - net of reinsurance				
Increase in loss ratio by 5 percentage points	**(622)**	(542)	**622**	542
10% increase/decrease in claims handling expenses	**(28)**	(22)	**28**	22
10% increase/decrease in number of IBNR claims	**(245)**	(435)	**245**	435

3.2 Financial risk

The club is exposed to a range of financial risks through its financial assets, financial liabilities (investment contracts and borrowing), reinsurance assets and policyholder liabilities. In particular, the key financial risk is that the proceeds from financial assets are not sufficient to fund the obligations arising from insurance policies and investment contracts as they fall due. The most important components of this financial risk are market risk (including interest rate risk, equity price risk and currency risk), credit risk and liquidity risk.

Market risk

- Interest rate risk

Interest rate risk arises primarily from investments in fixed interest securities and is managed through the club's investment strategy.

At the end of the financial period, 100% of the club's investment portfolio was invested in US treasury bonds. The weighted duration of the investment portfolio was 3.6 years (2020: 6.5 years).

The club has no debt liability with interest payments that vary directly with changes in interest rates.

Sensitivity analysis for interest rate risk illustrates how changes in the fair value of a financial instrument will fluctuate because of changes in market interest rates at the reporting date. An increase of 150 basis points in bond yields would result in a deficit for the club of $2.03m (2020: $3.56m).

- Currency risk

The club is exposed to currency risk in respect of liabilities under insurance policies denominated in currencies other than US dollars. The most significant currency to which the club is exposed is the euro. The club seeks to manage this risk by constraining the deviation of the currencies of the assets from the estimated currencies of the liabilities. The club may use forward currency contracts to protect currency exposures and maintain investment policy benchmarks.

	US$ US$000	GBP US$000	EUR US$000	Other US$000	Total US$000
As at 20 February 2021					
Total assets	**198,607**	**159**	**27,827**	**771**	**227,364**
Total liabilities	**147,226**	**3,220**	**31,227**	**10,026**	**191,699**
Net asset position	**51,381**	**(3,061)**	**(3,400)**	**(9,255)**	**35,665**
As at 20 February 2020					
Total assets	141,298	197	12,162	2	153,659
Total liabilities	99,804	2,024	10,989	9,460	122,277
Net asset position	41,494	(1,827)	1,173	(9,458)	31,382

At 20 February 2021, had the Euro strengthened by 10% against the US dollar with all other variables held constant, the surplus for the period would have been $340k lower (2020: $117k higher). Similarly, had the GBP strengthened by 10% against the US dollar, the surplus for the period would have been $306k lower (2020: $183k lower).

Credit risk

Credit risk is the risk that a counterparty will be unable to pay amounts in full when due. At the start of the financial period the club had not begun underwriting, so the primary financial assets held were investments and cash. Since that date, the key areas where the club is exposed to credit risk are:

- amounts due from members
- reinsurers' share of insurance liabilities
- amounts due from reinsurers in respect of claims already paid

- counterparty risk with respect to cash and investments

The assets bearing credit risk are summarised below, together with an analysis by credit rating:

	2021	2020
	US$000	US$000
Debt securities	**37,628**	34,312
Loans and receivables	**35,330**	29,999
Amounts owed by group undertakings	**17,295**	9,375
Cash at bank and in hand	**3,215**	3,921
Reinsurers' share of claims outstanding	**129,481**	72,964
Total assets bearing credit risk	**222,949**	150,571
AAA	**37,628**	34,312
AA	**3,215**	3,921
A	**146,776**	78,926
Not rated	**35,330**	33,412
Total assets bearing credit risk	**222,949**	150,571

No credit limits were exceeded during the financial period. No financial assets are delayed beyond their contractual maturity or impaired at the reporting date and management expects no significant losses from non-performance by these counterparties.

Liquidity risk

Liquidity risk is the risk that cash may not be available to pay obligations when due at a reasonable cost. The primary liquidity risk of the club is the obligation to pay claims to policy holders as they fall due. The club maintains holdings in short-term deposits to ensure sufficient funds are available to cover anticipated liabilities and unexpected levels of demand.

The following table provides a maturity analysis of the club's financial assets representing the date that a contract will mature, amounts are due for payment or the asset could be realised without significant additional cost:

	Short-term assets	**Within 1 year**	**1-2 years**	**2-5 years**	**Over 5 years**	**Total**
	US$000	**US$000**	**US$000**	**US$000**	**US$000**	**US$000**
As at 20 February 2021						
Debt securities	**37,628**	**-**	**-**	**-**	**-**	**37,628**
Cash balances	**3,215**	**-**	**-**	**-**	**-**	**3,215**
Amounts owed by group undertakings	**17,295**	**-**	**-**	**-**	**-**	**17,295**
Loans and receivables	**1,070**	**34,260**	**-**	**-**	**-**	**35,330**
Reinsurers' share of claims outstanding	**-**	**51,844**	**31,606**	**33,639**	**12,392**	**129,481**
	59,208	**86,104**	**31,606**	**33,639**	**12,392**	**222,949**
As at 20 February 2020						
Debt securities	34,312	-	-	-	-	34,312
Cash balances	3,921	-	-	-	-	3,921
Amounts owed by group undertakings	9,375	-	-	-	-	9,375
Loans and receivables	801	29,198	-	-	-	29,999
Reinsurers' share of claims outstanding	-	27,887	18,124	19,839	7,114	72,964
	48,409	57,085	18,124	19,839	7,114	150,571

The following is an analysis of the estimated timings of net cash flows by financial liability. The timings of cash flows are based on current estimates and historical trends and the actual timings of cash flows may be materially different from those disclosed below:

	Within 1 year US$000	Within 1-2 years US$000	Within 2-5 years US$000	Over 5 years US$000	Total US$000
As at 20 February 2021					
Gross outstanding claims	**56,969**	**34,700**	**36,900**	**13,600**	**142,169**
Creditors	**48,044**	**-**	**-**	**-**	**48,044**
	105,013	**34,700**	**36,900**	**13,600**	**190,213**
As at 20 February 2020					
Gross outstanding claims	30,891	20,000	21,900	7,900	80,691
Creditors	40,507	-	-	-	40,507
	71,398	20,000	21,900	7,900	121,198

Fair value estimations

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

Level 1 - Listed quoted prices in active markets and external broker quotes which are publicly, readily and regularly available on an active market.

Level 2 - Inputs other than quoted prices included within level 1 that are observable, either directly (that is, as prices) or indirectly (that is, derived from prices).

Level 3 - Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

The following table presents the assets and liabilities measured at fair value at 20 February 2021.

Financial assets at fair value through the Statement of Comprehensive Income:

	Level 1 US$000	Level 2 US$000	Level 3 US$000	Total US$000
As at 20 February 2021				
Debt securities and other fixed income securities	**37,628**	**-**	**-**	**37,628**
	37,628	**-**	**-**	**37,628**
As at 20 February 2020				
Debt securities and other fixed income securities	34,312	-	-	34,312
	34,312	-	-	34,312

Capital management

The club maintains an efficient capital structure using members' funds (reserves) and the ability to make unbudgeted calls, if required, in addition to traditional capital, consistent with the club's risk profile and the regulatory and market requirements of its business.

The club's objectives in managing its capital are:

- to match the profile of its assets and liabilities, taking account of the risks inherent in the business
- to satisfy the requirements of its members and meet regulatory requirements
- to maintain an 'A' rating with Standard and Poor's
- to manage exposures to movement in exchange rates
- to retain financial flexibility by maintaining strong liquidity

The club is subject to Solvency II regulations, requiring it to maintain the Minimum Capital Requirement (“MCR”) and the Solvency Capital Requirement (“SCR”) at all times. The capital requirements are calculated by reference to the standard formula as defined in Solvency II, to ensure the club has adequate capital and financial resources to fulfil its obligations. The MCR is the level of capital below which the club would be deemed insolvent for regulatory purposes. If the club were to fall below the SCR threshold, the Central Bank of Ireland could take action to restore the financial position of the club. At 20 February 2021, the club is in full compliance with these requirements.

4. Segmental analysis by class

The segmental results of the classes of the club are set out as follows:

4.1 Statement of comprehensive income

As at 20 February 2021	Note	**Total** US$000	**Class 1 P&I** US$000	**Class 2 Defence** US$000	**Class 3 Coastal & Inland** US$000	**Class 4 War** US$000	**Class 5 Strike & Delay** US$000
Technical account for non-life insurance business							
Gross premiums earned, including calls	5	**148,214**	**111,425**	**5,794**	**19,135**	**1,190**	**10,670**
Outward reinsurance premiums	6	**(135,769)**	**(102,620)**	**(5,215)**	**(17,513)**	**(646)**	**(9,775)**
Earned premiums, net of reinsurance		**12,445**	**8,805**	**579**	**1,622**	**544**	**895**
Expenditure							
Gross claims paid		**51,714**	**35,730**	**2,579**	**7,485**	**-**	**5,920**
Reinsurers' share		**(46,543)**	**(32,157)**	**(2,321)**	**(6,737)**	**-**	**(5,328)**
Net claims paid		**5,171**	**3,573**	**258**	**748**	**-**	**592**
Change in net provision for claims		**4,839**	**3,527**	**179**	**848**	**-**	**285**
Net operating expenses	9	**1,129**	**789**	**61**	**89**	**51**	**139**
Total expenditure		**11,139**	**7,889**	**498**	**1,685**	**51**	**1,016**
Balance on the technical account for non-life business		**1,306**	**916**	**81**	**(63)**	**493**	**(121)**
Non-technical account							
Balance on the technical account for non-life insurance business		**1,306**	**916**	**81**	**(63)**	**493**	**(121)**
Investment return net of expenses and charges	10	**3,156**	**3,162**	**(3)**	**-**	**-**	**(3)**
Profit/(loss) on foreign exchange		**381**	**52**	**7**	**135**	**7**	**180**
Profit/(loss) on ordinary activities before taxation		**4,843**	**4,130**	**85**	**72**	**500**	**56**
Tax on profit on ordinary activities	11	**(560)**	**(483)**	**(11)**	**-**	**(63)**	**(3)**
Profit for the financial year		**4,283**	**3,647**	**74**	**72**	**437**	**53**

As at 20 February 2020	Note	Total US$000	Class 1 P&I US$000	Class 2 Defence US$000	Class 3 Coastal & Inland US$000	Class 4 War US$000	Class 5 Strike & Delay US$000
Technical account for non-life insurance business							
Gross premiums earned, including calls	5	137,564	114,029	5,857	17,098	580	-
Outward reinsurance premiums	6	(126,734)	(105,470)	(5,272)	(15,647)	(345)	-
Earned premiums, net of reinsurance		10,830	8,559	585	1,451	235	-
Expenditure							-
Gross claims paid		31,522	27,147	1,252	3,123	-	
Reinsurers' share		(28,371)	(24,432)	(1,127)	(2,812)	-	-
Net claims paid		3,151	2,715	125	311	-	-
Change in net provision for claims		7,746	6,803	211	732	-	-
Net operating expenses	9	801	598	53	99	51	-
Total expenditure		11,698	10,116	389	1,142	51	-
Balance on the technical account for non-life business		(868)	(1,557)	196	309	184	-
Non-technical account							
Balance on the technical account for non-life insurance business		(868)	(1,557)	196	309	184	-
Investment return net of expenses and charges	10	1,716	1,701	6	9	-	-
Profit/(loss) on foreign exchange		11	(21)	(2)	31	3	-
Profit/(loss) on ordinary activities before taxation		859	123	200	349	187	-
Tax on (profit)/loss on ordinary activities	11	(176)	(176)	-	-	-	-
Profit/(loss) for the financial year		683	(53)	200	349	187	-

4.2 Statement of financial position

As at 20 February 2021	Total US$000	Class 1 P&I US$000	Class 2 Defence US$000	Class 3 Coastal & Inland US$000	Class 4 War US$000	Class 5 Strike & Delay US$000
Assets						
Investments	**37,628**	**37,628**	**-**	**-**	**-**	**-**
Reinsurers' share of technical provisions	**129,481**	**107,715**	**3,510**	**15,172**	**-**	**3,084**
Debtors	**52,625**	**30,131**	**7,530**	**10,761**	**1,189**	**3,014**
Other assets	**3,215**	**1,439**	**471**	**882**	**160**	**263**
Prepayments and accrued income	**4,415**	**2,410**	**245**	**3**	**613**	**1,144**
Total assets	**227,364**	**179,323**	**11,756**	**26,818**	**1,962**	**7,505**
Liabilities						
Reserves	**35,665**	**34,293**	**274**	**421**	**624**	**53**
Technical provisions	**142,169**	**118,044**	**3,900**	**16,857**	**-**	**3,368**
Creditors	**48,044**	**26,186**	**7,569**	**9,527**	**686**	**4,076**
Accruals and deferred income	**1,484**	**800**	**11**	**13**	**652**	**8**
Total liabilities	**227,364**	**179,323**	**11,756**	**26,818**	**1,962**	**7,505**

As at 20 February 2020	Total US$000	Class 1 P&I US$000	Class 2 Defence US$000	Class 3 Coastal & Inland US$000	Class 4 War US$000	Class 5 Strike & Delay US$000
Assets						
Investments	34,312	34,312	-	-	-	-
Reinsurers' share of technical provisions	72,964	64,653	1,895	6,416	-	-
Debtors	39,374	28,761	5,031	5,306	276	-
Other assets	3,921	1,826	1,259	718	118	-
Prepayments and accrued income	3,088	2,589	121	112	266	-
Total assets	153,659	132,141	8,306	12,552	660	-
Liabilities						
Reserves	31,382	30,646	200	349	187	-
Technical provisions	80,691	71,456	2,106	7,129	-	-
Creditors	40,507	29,323	5,992	5,065	127	-
Accruals and deferred income	1,079	716	8	9	346	-
Total liabilities	153,659	132,141	8,306	12,552	660	-

5. Gross premiums earned including calls

	2021 US$000	2020 US$000
Estimated total premium, other premiums and releases for policy year 2020/21	**148,906**	137,564
Adjustment for previous policy years	**(692)**	-
Total calls and premiums	**148,214**	137,564

An analysis of gross premiums earned including calls by reference to the location of the risk insured by the ceding company is provided below:

	2021 US$000	2020 US$000
Risks located in the EEA	**143,588**	131,642
Risks located in other countries	**4,626**	5,922
Total calls and premiums	**148,214**	137,564

6. Outward reinsurance premiums

	2021 US$000	2020 US$000
Quota share reinsurance premium payable to Standard Re	**107,114**	82,644
Reinsurance premiums payable to other Standard Club group undertakings	**-**	345
Market reinsurance premiums	**28,655**	43,745
Reinsurance premiums paid	**135,769**	126,734

7. Claims paid

	2021 US$000	2020 US$000
Members' claims paid	**51,714**	31,522

8. Reinsurers' share of claims paid

	2021 US$000	2020 US$000
Claims recoverable from market reinsurance	**-**	(6)
Quota share claims recoverable from Standard Re	**(46,543)**	(28,365)
Reinsurers' share of claims paid	**(46,543)**	(28,371)

9. Net operating expenses

	2021	2020
	US$000	US$000
Acquisition costs		
Management fee	**5,040**	3,099
General expenses	**65**	576
Administrative expenses		
Management fee	**5,002**	2,880
General expenses	**367**	535
Other operating income	**43**	159
Directors' fees	**118**	96
Auditors' remuneration - audit of the financial statements	**159**	93
Auditors' remuneration - other audit services	**40**	36
Net operating expenses (before ceding commission)	**10,834**	7,474
Ceding commission	**(9,705)**	(6,673)
Net operating expenses (after ceding commission)	**1,129**	801

Two directors of the club are also directors of the ultimate parent undertaking from whom they receive remuneration for their services. Total directors' remuneration during the financial period was $118k (2020: $96k). The club has no employees.

Fees payable to the club's auditors for the audit of the financial statements was $159k (2020: $93k). The auditors' remuneration for other services of $40k (2020: $36k) is for the Solvency II audit.

10. Investment return net of expenses and charges

	2021	2020
	US$000	US$000
Investment income		
Debt securities and other fixed income securities	**555**	547
Deposit interest	**7**	90
Gains arising on realisation of investments	**1,825**	229
	2,387	866
Investment expenses and charges		
Investment management expenses	**(42)**	(19)
	(42)	(19)
Movement in unrealised gains on investments	**811**	869
Total investment return	**3,156**	1,716

11. Tax on ordinary activities

	2021 US$000	2020 US$000
Analysis of charge in the period		
Current tax on income for the period	**597**	177
Adjustments in respect of prior period	**(37)**	(1)
Total current tax	**560**	176
Tax on profit on ordinary activities	**560**	176

Factors affecting tax on investment income for the year

The tax charge for the year is lower than the standard rate of corporation tax in Ireland of 12.5% (2020: 12.5%). The differences are explained below:

	2021 US$000	2020 US$000
Profit/(loss) on ordinary activities before taxation	**4,843**	859
Tax at 12.5% (2020: 12.5%)	**605**	107
Effects of:		
Income/(expenses) not relevant for tax purposes or taxed at different rates	**(8)**	70
Adjustments in respect of prior period	**(37)**	(1)
Total tax charge for the year	**560**	176

12. Other financial investments

	2021 US$000	2020 US$000
Financial assets at fair value through the Statement of Comprehensive Income		
Total financial assets at market value	**37,628**	34,312
Total financial assets at cost	**35,948**	33,443
Included in the carrying values above are amounts in respect of listed investments as follows:		
- Debt securities and other fixed income securities at market value	**37,628**	34,312

13. Claims outstanding

	2021	2020
	US$000	US$000
Open years		
Claims	**142,169**	80,691
Reinsurance recoveries	**(129,481)**	(72,964)
Net claims provision for open years included in the Statement of Financial Position	**12,688**	7,727

Claims outstanding includes provision for IBNR claims which is set by reference to, amongst other factors, standard actuarial techniques and projections. Also included in the provision is an estimate for the internal and external costs of handling the outstanding claims.

13.1 Movement in insurance and reinsurance contracts

	2021	2020
	US$000	US$000
Claims outstanding		
As at 21 February	**80,691**	**-**
Claims paid in the year	**(51,714)**	(31,522)
Exchange gains	**(902)**	(190)
Claims incurred during the year	**114,094**	112,403
As at 20 February	**142,169**	80,691
Reinsurers' share of claims outstanding		
As at 21 February	**(72,964)**	-
Reinsurance recoveries made in the year	**46,543**	28,371
Exchange losses	**1,024**	171
Reinsurance recoverable on claims incurred during the year	**(104,084)**	(101,506)
As at 20 February	**(129,481)**	(72,964)
Net technical provisions included in the Statement of Financial Position	**12,688**	7,727

13.2. Claims development tables

Claims (gross)			
Policy year	2019/20 US$000	2020/21 US$000	Total US$000
Estimate of ultimate claims costs:			
- at end of policy year	111,040	114,743	
- one year later	110,662		
Current estimate of ultimate claims costs	110,662	114,743	225,405
Cumulative payments to date	(49,725)	(33,511)	(83,236)
Liability recognised in the balance sheet	60,937	81,232	142,169
Provision in respect of prior years			-
Total provision included in the Statement of Financial Position			**142,169**

Claims (net)			
Policy year	2019/20 US$000	2020/21 US$000	Total US$000
Estimate of ultimate claims costs:			
- at end of policy year	10,762	10,982	
- one year later	10,028		
Current estimate of ultimate claims costs	10,028	10,982	21,010
Cumulative payments to date	(4,971)	(3,351)	(8,322)
Liability recognised in the balance sheet	5,057	7,631	12,688
Provision in respect of prior years			-
Total provision included in the Statement of Financial Position			**12,688**

14. Debtors arising out of direct insurance operations

	2021 **US$000**	2020 US$000
Members	**34,548**	29,198
Intermediaries	**57**	43
Debtors arising out of direct insurance operations	**34,605**	29,241

15. Creditors arising out of direct insurance operations

	2021 **US$000**	2020 US$000
Members	**3,842**	2,198
Intermediaries	**4,483**	2,774
Reinsurers	**24**	-
Creditors arising out of direct insurance operations	**8,349**	4,972

16. Rates of exchange

	2021	2020
The following rates of exchange were applicable to US$1 at 20 February 2021 (2020)		
Australian dollar	**1.29**	1.49
Bermudian dollar	**1.00**	1.00
Canadian dollar	**1.27**	1.32
Euro	**0.82**	0.92
Japanese yen	**105.06**	109.77
Singapore dollar	**1.32**	1.39
Swiss franc	**0.89**	0.98
UK pound	**0.72**	0.77

17. Share capital

	2021 US$000	2020 US$000
Authorised: 635,000 ordinary common shares of (€1) each	**724**	724
Issued and paid up	**724**	724

The club has one class of ordinary shares which carry no right to fixed income. All shares carry equal voting rights and rank for dividends to the extent to which the total amount on each share is paid up. The club's sole shareholder is its parent, Standard Club.

18. Capital contribution

During the financial year to 20 February 2021, the club received no capital contributions from its parent, Standard Club (2020: $10m from its parent, Standard Club).

19. Dividends

The directors did not pay a dividend during the financial year ended 20 February 2021 (2020 nil) and are not proposing a final dividend (2020 nil).

20. Ultimate parent undertaking

The directors regard The Standard Club Ltd ("Standard Club"), a company registered in Bermuda, as the immediate and ultimate parent undertaking and ultimate controlling party. Copies of the consolidated financial statements of Standard Club can be obtained from its registered office: Swan Building, 26 Victoria Street, Hamilton HM 12, Bermuda or can be downloaded from www.standard-club.com.

21. Capital and other commitments

The club had no capital or other commitments or contingent liabilities at 20 February 2021.

22. Related parties

Related parties as defined in FRS 102 are persons and entities that the club has the ability to control or on which it can exercise significant influence, or persons and entities that have the ability to control or exercise significant influence on the club, or that are influenced by another related party of the club.

The club is controlled by the members who are also its insureds. All members enter into insurance contracts negotiated with the club's managers on arm's length terms. These transactions are with related parties. The aggregate of these transactions is disclosed in these financial statements.

One of the five directors at the end of the financial period is a representative of a member. That director and three others are non-executive directors, two of whom are independent. The fifth, the Managing Director, is a senior employee of the managers. Other than the insurance and membership interest of the member director's companies, the directors have no financial interests in the club.

The club's managers' parent company, Charles Taylor plc, was acquired by Lovell Minnick Partners LLC and became Charles Taylor Limited on 21 January 2020. The acquisition did not immediately impact the current arrangement with the club and the managers continued to provide services according to the management services agreement currently in place. However, on 29 May 2020, Charles Taylor and Standard Club announced their decision to work together to create a new operating model for the club whereby core management operations would be performed by an 'in house' manager owned by Standard Club. Under the new model, the same individuals and teams will continue to service members' and brokers' needs and carry out core management, underwriting, claims handling, loss prevention, finance, reserving and control activities, but as part of the club's own organisation. Charles Taylor will provide a range of support services including information technology, investment management, internal audit and other support services under multi-year contracts.

The club paid management fees to the managers for the year of $21.3m (2020: $17.0m).

23. COVID-19 and events after the reporting date

COVID-19

The directors have been monitoring the development of the impact of COVID-19, directly on the club's business, and indirectly through the development of government policy and advice. Standard Club continues to carry out detailed risk assessments which confirm that COVID-19 does not threaten the group's going concern. The main issues are as follows.

Operational
The club's managers have activated full business continuity contingency plans and shown the club can continue to operate in the event of a serious prolonged incident, such as the present pandemic. Business records and documentation are stored electronically, are regularly backed-up and are accessible remotely from anywhere in the world. Personnel in each of the managers' global offices have successfully transitioned to working from home and the club has been able to continue to provide the same level of service to its members.

Risks underwritten
The club insures only limited aspects of the effects of COVID-19. The marine protection and indemnity (P&I) policies which form the majority of the club's book provide cover for crew illness and death, crew repatriation and substitution, passenger illness and death, broader liabilities to passengers arising out threats to life, health or safety on board, third-party illness and death and additional quarantine expenses. The club also provides legal expenses cover for members (Defence), and cover for COVID-19 related delays. The aggregate of COVID-19 claims notified up to 30 April 2021 across all classes of business amounted to $12m ($1.2m net of reinsurance).

Policyholders
Early in the pandemic, there was a concern that a major downturn in economic conditions would materially affect members and business partners of the club. The possible impacts on the club in the short term included pressure on cash flow and debt recovery, and in the medium term, pressure on premium, but with reduced levels of claims due to diminished levels of activity. In fact, premium and net claims impacts have been

protected by the club's reinsurance contracts, including the quota share with Standard Re, so the main impact has been on the club's investment portfolio.

Investment portfolio
The club's investment portfolio at 20 February 2021 consisted of government issued debt whose market value increased during the financial year as interest rates have fallen.

Regulators and forecasts
The managers continue to model stressed future scenarios to assess the club's compliance with regulatory capital requirements in the context of the risk appetite determined by the Board. The directors recognise that as the foreseeable scenarios change, decisions may need to be made in relation to the scale of the club's activity and the level of capital maintained to support that activity.

Going concern
At the date of signing these financial statements, the directors' forecasts up to 20 February 2024 indicate that the club will be able to maintain liquidity and a surplus over its Solvency Capital requirement, and will be able to continue to trade as a going concern. Even in severely stressed scenarios, the conservative investment portfolio held by the club and the comprehensive reinsurance arrangements in place will limit the extent of any downside risk. The directors continue to monitor the position in case any stressed scenarios become more likely than is judged to be the case currently.

Events after the reporting date There are no events that are material to the operation of the club that have occurred since the reporting date.

24. Approval of the financial statements

The directors approved the financial statements on 28 May 2021.